



Limited/Limitée

A Canadian Company

1. Our people



2. Our future



3. The past year 4. A brief history

1974 Annual Report

Board of Directors

486-1939
R. M. Barford
P. de Gaspé Beaubien
W. J. Bushnell
H. B. Davis
G. M. Farquharson, Q.C.
D. S. R. Leighton
J. K. Loudon
R. A. Stevens
B. Wosk

Director Emeritus

Miss M. P. Hyndman, Q.C.

Officers

R. M. Barford, *Chairman*
R. A. Stevens, *President*
L. Hollander, *Group Vice-President,*
Appliance Group
N. H. Smith, *Group Vice-President,*
General Products Group
G. S. MacDonell, *Vice-President*
F. O. Price, *Vice-President,*
Research & Development
G. S. Dickson, *Vice-President, Supply & Traffic*
D. G. Fixter, *Treasurer*
G. M. Farquharson, Q.C., *Secretary*
W. D. Campbell, *Assistant Treasurer*
D. A. Barnes, *Assistant Secretary*

Share Transfer Agents

Preferred Shares, The Canada Trust Company
Common Shares, National Trust Company Limited

Bank

The Bank of Nova Scotia

Audit

Clarkson, Gordon & Co.

GSW Limited/Limitée

Executive Offices
45 St. Clair Avenue West
Toronto, Ontario, Canada

Index

Page 2 **Our people**

Page 16 **Our future**

Page 21 **The past year**

Page 33 **A brief history**

Facts in Brief

	1974	1973
	(\$000's except per share data)	
SALES	\$122,339	\$119,948
NET INCOME	3,119	502
EARNINGS PER COMMON SHARE	.74	.09
CURRENT RATIO	1.4 to 1	1.5 to 1
WORKING CAPITAL	16,023	13,711
SHAREHOLDERS' EQUITY	\$ 19,858	\$ 16,995

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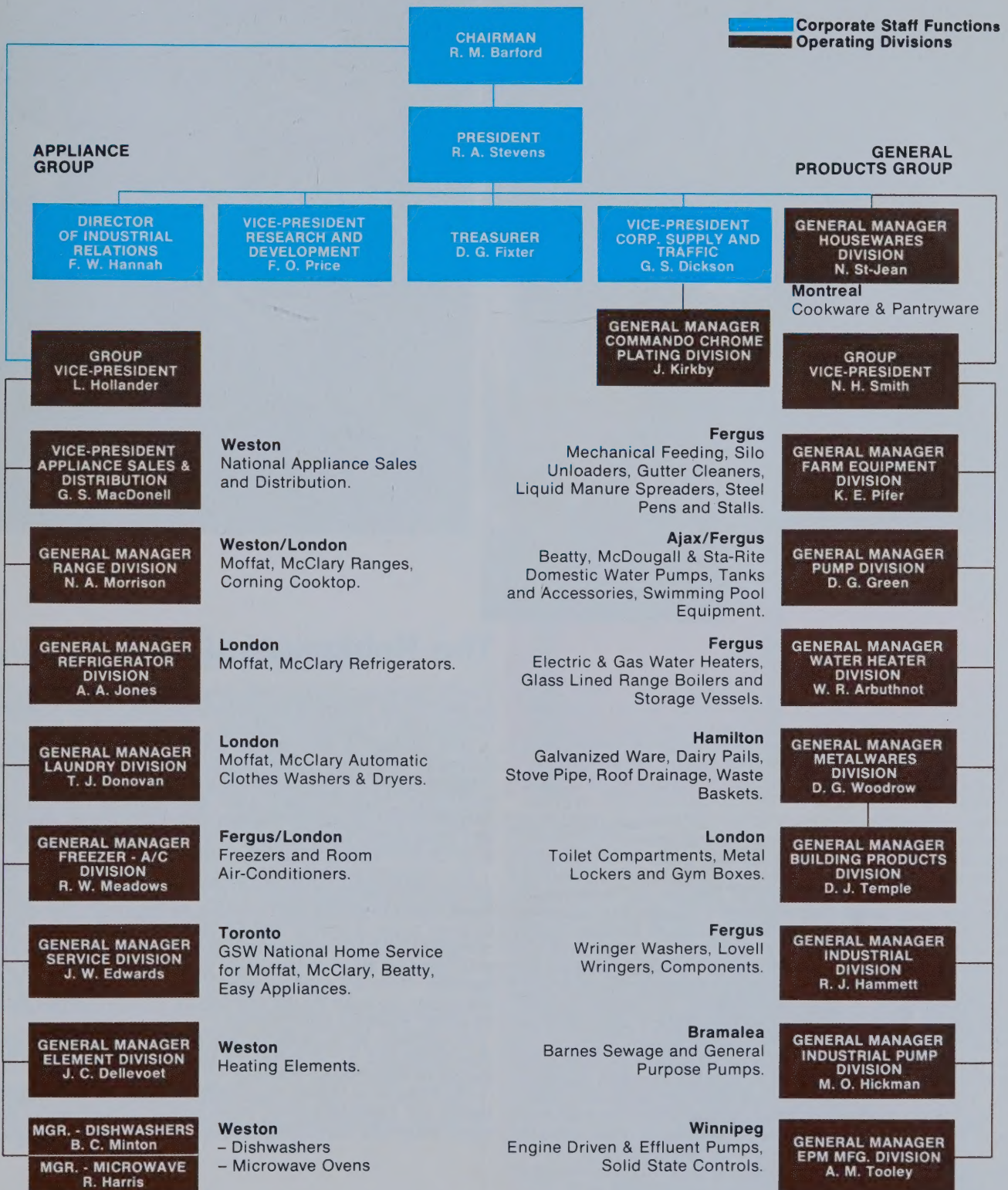
Our people

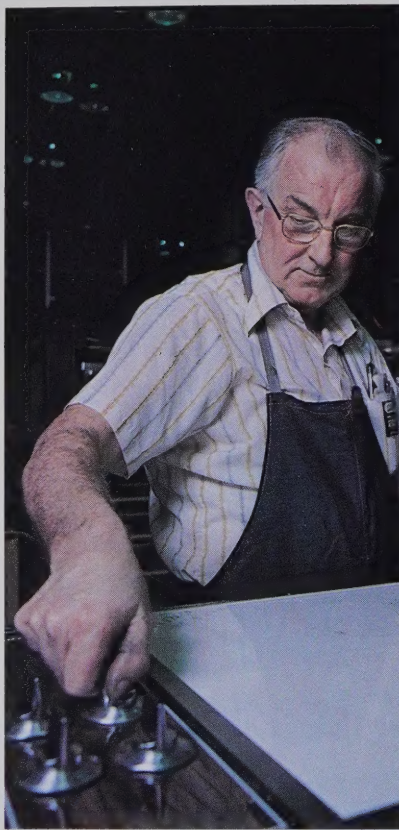
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The Company and its Divisions





The Range Division

The Range Division was established July 1st, 1974 with headquarters at the Weston Range Plant. Moffat, McClary and private label brands are manufactured by this Division. In the Spring, Range Engineering was moved to Weston and the staff (which moved from London) was supplemented by additions in the Fall. Consolidation of engineering allowed all Division functions to be brought under one roof, in order to develop a co-ordinated team effort. 1974 was planned as a year when quality, cost and meeting customers' time commitments would be emphasized. These plans were realized with the combined output of Weston and London meeting production schedules in excess of 98% of the time while quality improved and costs were reduced. Output was improved by rearrangement and installation of an additional press in Weston and retention of the London range facility.

Selling prices to customers had to be increased steadily in 1974, in view of the continuing spiralling costs of materials and services. Cost reduction efforts in Engineering and Manufacturing have been intensified, though never at the expense of quality.

Our leadership in ranges continued with the introduction of two new Moffat brand Smooth Top Ranges and Surface Units. These new ranges allow cooking with any flat-bottomed pot or pan, in contrast to the "First Generation" Smooth Tops which required special cookware. This series is now available with either Continuous Clean or Self Clean ovens. Our dealers report that Moffat Smooth Top Ranges have already gained widespread acceptance with our customers.

The Refrigerator Division

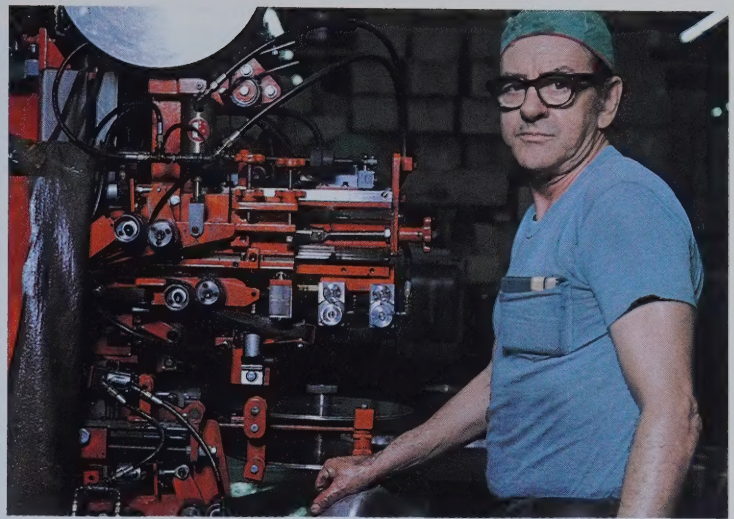
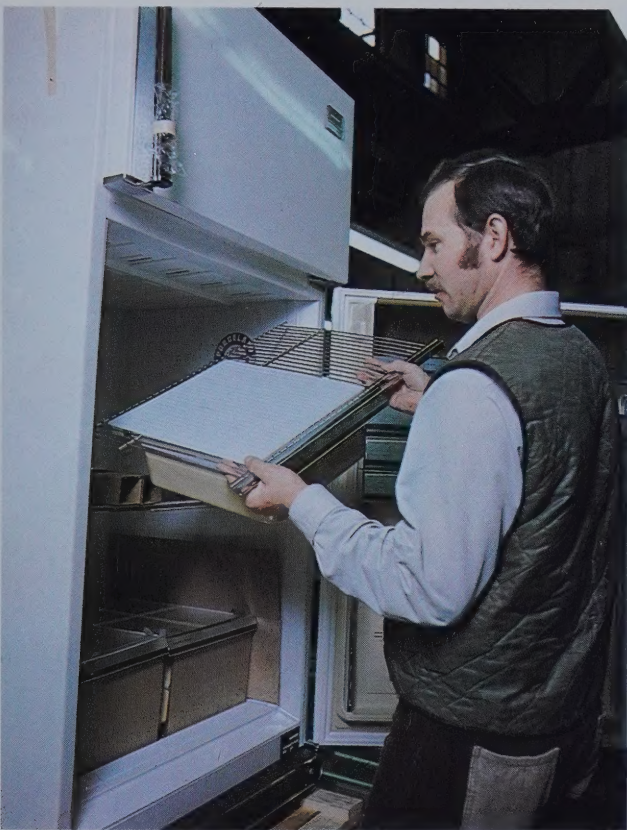
The Refrigerator Division was also established July 1st, 1974 as part of our Policy of decentralizing the former Appliance Division into Product Divisions.

This Division is responsible for all facets of the GSW refrigerator business, except distribution and selling which are retained as central functions in the Sales & Distribution Department. This Division also acts as the London Site caretaker with regard to Site dealings with Unions, Municipal and Provincial Authorities and the provision and maintenance of all necessary Site services.

The Division manufactures a complete range of domestic refrigerators ranging from 10 cu. ft. manual units to 16 cu. ft. Frost Free models. It also markets an imported line of Side-by-Side units in the 17 and 21 cu. ft. capacity range. GSW refrigerators have established a reputation of high quality, with features such as porcelain interiors, crispers and meat keepers. Units are sold to leading Canadian appliance retailers under our own Moffat and McClary brand names as well as under Private Label brands.

In addition to manufacturing refrigerators, the Division also produces a full range of foam insulated freezers on behalf of the Freezer Division.

The Division is sub-divided and controlled by Management teams for Manufacturing, Plant Services, Industrial Relations, Materials, Marketing, Engineering and Quality Control.



The Housewares Division

During 1974, the Housewares Division stepped up the implementation of a consumer-oriented approach to the marketplace; as a result, record sales and profits were achieved.

Extensive consumer research inspired the technological input from the Research and Development Center and from GSW culinary and design experts. This produced improved product quality, features, and appearance. The increased value of GSW Housewares products was communicated to our consumers by intensive, effective merchandising techniques.

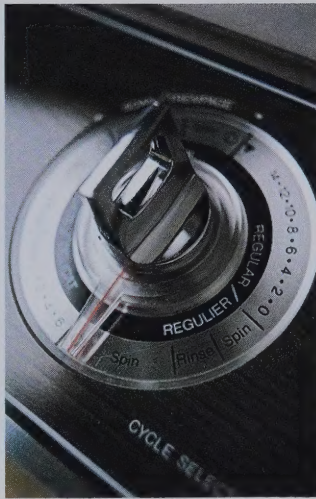
The strategic plan of this Division will continue during 1975 when the effects of major 1974 investments in people, machinery, and tools will become apparent.

The Baie D'Urfe plant's production reached an all-time high in 1974. In spite of the increase in high-volume production of quality products during this period, this plant also catered effectively to specific customer needs.

The Housewares Division has reinforced its distribution pattern to place its products within familiar retail "reach" of the consumer. During 1974, an export program was begun.

The Division's thriving relationship with Mirro Aluminum Company supplements our ability to supply high quality aluminum kitchen products. The Division also has a license agreement with a major U.S. pantryware manufacturer, Lincoln Metal Products Corp.





The Laundry Division

From Marketing through Industrial Design, Engineering, and Manufacturing, the Laundry team achieved several major goals in 1974. Profitability improved considerably; warranty expenses were reduced substantially.

Continuous reliability testing of our equipment, as well as that of our competitors, has given us rapid, accurate insight into the quality, performance, and value the Canadian consumer can expect from Moffat and McClary laundry products. Improvements in manufacturing methods and cost controls have been a direct result of this extensive programme.

Quality Control and Reliability Testing groups work closely through the network of Purchasing, Engineering, Manufacturing, Warehousing and the GSW Home Service Division to ensure that the best possible laundry appliance arrives at our customer's door.

GSW laundry sales specialists have been appointed. Our laundry dealers are given special training by these sales specialists to assure that our customers' needs and expectations concerning top quality, well-styled, reliable laundry equipment are fully satisfied by the products of this Division.

The Element Division

The Element Division completed its reorganization during the year with staff additions in Product Engineering, the acquisition of new plant supervision and the establishment of its own accounting department. An experienced management team with strengths in both element manufacturing and heating technology was assembled to support plans for the growth of business from outside customers and product diversification.

Aluminum baseboard elements and copper water heater elements were added to our product range, thus broadening the total product and customer base and providing excellent growth potential. The production of service replacement element kits was also added to consolidate the manufacturing process of element-related products in one location.

In a highly-competitive environment, product quality and cost are key criteria of a successful supplier. We have, therefore, undertaken new investments in sophisticated testing and production equipment to provide continued improvement in this area.



The Freezer Air Conditioner Division

In recognition of unique market, distribution and competitive requirements, the Freezer/Air Conditioner Division was established in late 1973. The Fergus Plant (the new Division headquarters) produces fibreglass insulated freezers and air conditioners. Foam insulated freezers produced at the London Plant are also distributed by this Division.

Accelerating food prices and material shortages in 1973/74 created consumer demands far beyond the production capabilities of the industry. Strong growth is expected to continue, as the freezer today has evolved as a workable means of saving on high food costs, and also as a convenient storage centre for frozen, semi-prepared foods for working mothers.

During 1974, the autonomy of the Division was established by the creation of separate functions (Sales, Marketing Services, Accounting, Engineering and Manufacturing) at the Fergus Plant. In addition, a plant extension and internal rearrangements were completed to better cope with material storage demands and increased production levels for the two product lines.

Division activities in 1974 were focused on the following objectives: establishing a balanced retail distribution across Canada; perfecting a safe-temperature warning system for freezers; adding system leak-detecting equipment to production in both London and Fergus Plants; and, in acquiring additional tooling to become self-sufficient in the manufacture of Air Conditioners.

Sales and Distribution

Sales and Distribution is responsible for national coverage of the company's Moffat and McClary appliance dealer networks. The sales force is organized under three Area Sales Managers in recognition of the differences in the needs of our customers across Canada. Monthly meetings were held in each region to ensure continuing training on product knowledge and merchandising techniques.

There is also a National sales force looking after the needs of Builders and Government Agencies.

A project of Sales and Distribution in 1974 was the reorganization of our two large London, Ontario warehouses. Customer order processing time was improved by over 20%; inventory storage capacity was increased by over 35% and our cost of operations was lowered significantly.

Major changes at the Highbury warehouse included modification and installation of powered receiving conveyors, the addition of three new shipping doors, and product rearrangement. Electronic data receiving equipment was installed: orders are now transmitted direct from Toronto, received on multi-copy shipping sets and filled quickly and accurately.

Increased inventory storage capacity helped improve direct carload and truckload delivery services. The main London plant warehouse is now used primarily as a marshalling area for prescheduled orders which are assembled and loaded directly from the production line. With the introduction of perimeter aisle storage, we have ensured proper rotation of finished inventory.



The Service Division

1974 was an eventful year for the Service Division, with three significant achievements:

- Purification of the London and Weston replacement parts inventories; the consolidation of the two warehouses into one by adding 16,000 sq. ft. to the Weston Parts Distribution Centre;
- the opening of branches in Peterborough and Barrie;
- the moving of the Hamilton branch to a better location.

These moves produced a higher degree of efficiency with less personnel than in 1973. We presently employ 386 people, of which 208 are skilled technicians serving the needs of owners of GSW appliances. During 1974, our GSW Home Service Division carried out 200,000 calls, including those completed under the terms of our Consumer Warranties.

Television advertising is now being used to increase our share of Out-of-Warranty work, and to inform the public of the relationship of GSW Home Service to Moffat, McClary, Beatty and Easy brands.

Last December saw the completion of our Microfiche system. This system will replace the present method of producing Service publication catalogues and will result in greater efficiency and considerable annual savings in printing costs.

The Division is now providing monthly computerized Quality Audit Reports in sufficient detail for use as a Management tool and an Engineering guide to priorities for product improvement.

Training, standardizing of systems and employment stability have strengthened the value of both the Management and Technical people in our 18 depots across the country. In Ontario alone, the responsibilities of three Field Service

Supervisors have now been assumed by local GSW Home Service Managers, who now work closely with Independent Service outlets. Services performed by local Home Service Management include, providing parts from Branches in the areas; policing labour billing; warranty parts returns; and training of depot personnel.

The Pump Division

The Domestic Pump Division achieved a record year in sales and a significant improvement in market share in 1974. Despite extremely difficult supply conditions, output from the manufacturing facilities at Fergus and Ajax increased substantially. A new galvanizing facility was engineered and installed at Fergus, incorporating the "wet flux" dipping method. This modification improved both quality and productivity by approximately 40%.

A new product series was added to complement the Swimming Pool line, including high rate sand filters, diatomaceous earth filters, and pool accessories. As a result, we now have a solid position in the Swimming Pool market, and have established a separate Marketing Department to promote this line. Other new additions and product improvements introduced during 1974 included two brass-impellered jet pumps; a laundry tray pump with rotary seal, and a new top-suction galvanized sump pump.

To mark the Beatty Centennial Year, a new colour coordinated logo was designed for the Domestic Water System Pump lines. Hand pumps (once the mainstay of the Pump



Business) are still being produced, and a major export order for Ghana was negotiated in 1974.

With long range requirements in mind, studies are being made of existing pump manufacturing facilities in Fergus, Ajax and Winnipeg. The recommendations derived from these studies will determine how the Pump Division will meet the increased demands of the future.

The Farm Equipment Division

1974 sales improved over the 1973 level as a direct result of the buoyancy of the farm livestock housing and feeding industries. Our sales volume however, was restricted by manufacturing rearrangements and further hampered by a serious shortage of key materials.

The new Century Silo Unloader acquired from The Calumet Company, Inc., was introduced and made fully operational. The Pit Agitator Pump was re-engineered for manufacture and introduction to the market in early 1975. Future growth plans are based on specialization in the following products: manure handling equipment; standard stationary penning and stall equipment; watering and feeding equipment.

Late in the year, a major reorganization of the Division established a Materials' Organization with the responsibility for materials and inventory control from order processing to finished goods and shipping. This Organization is under the direction of the newly-appointed Materials' Manager. Other new appointments during the year included a Controller and

a Sales Promotion Manager.

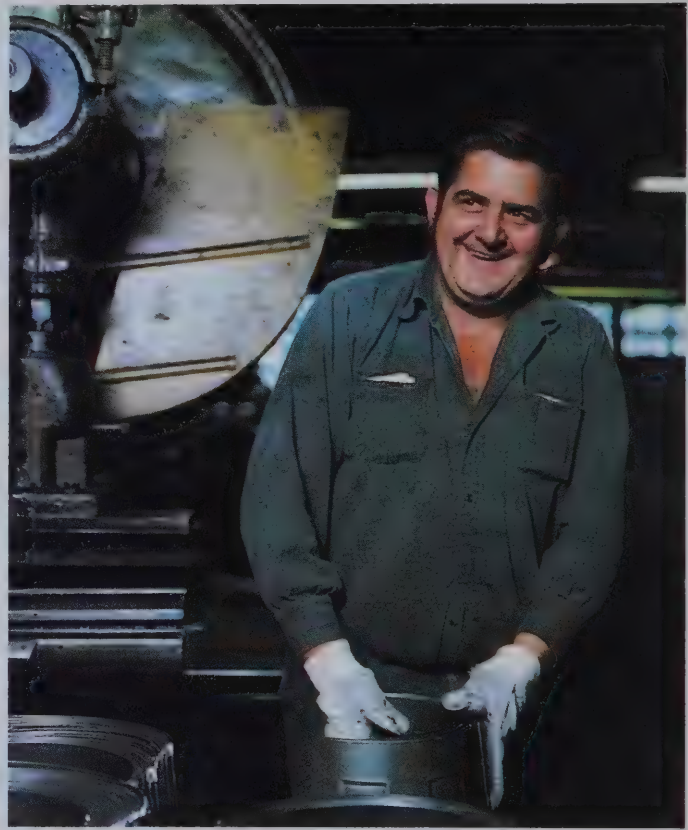
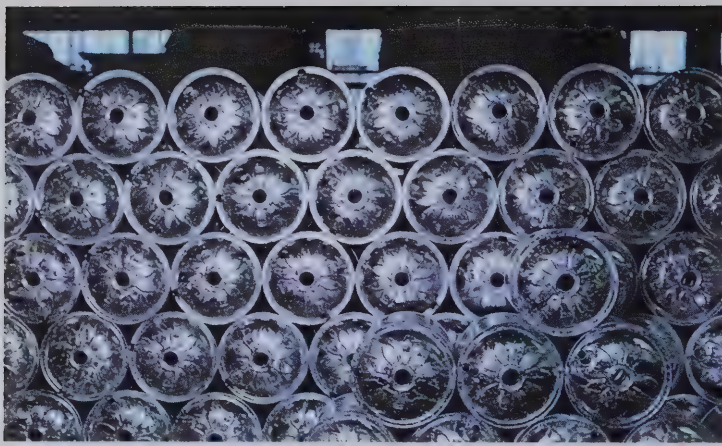
These changes have added strength and flexibility to the Division, placing it in a favourable position to implement future plans for the further growth of the Farm Equipment Division.

The Water Heater Division

The Water Heater Division during the past year established new manufacturing facilities at the Fergus site.

New equipment start-up and a shortage of experienced personnel led to a production slowdown throughout the summer months. In-plant training programmes were organized to offset the shortage of skilled personnel, and as a result, the Division's production returned to satisfactory levels. The new facility is equipped with some of the most modern machinery available for the manufacture of glass-lined tanks. It will provide the Division with the necessary production capacity to meet its needs for several years ahead.

With the start-up problems of plant relocation now behind, the Division anticipates continued progress in 1975.



The Metalwares Division

The short and long range plans of the Division were accelerated in 1974. A service group was added, with a manager and planner, to improve forecasting, production control and customer service. A recent survey indicated that this addition was beneficial and that we did in fact service our customers better than the majority of their other suppliers through the material shortage period.

A plan was advanced through the formation of product management and engineering teams to concentrate on Home Improvement products in addition to metalwares. These teams have identified new products for the future growth of the Division.

The finance function was strengthened by the addition of a Credit Supervisor and Systems Manager, resulting in improved investment control, customer service and management information systems. We have added a total of twelve staff personnel for training, growth, maintenance and improved customer service.

The new "K" style rainware line was successfully introduced. Colour was added to the garbage can and pail lines with good consumer response. The new modified rectangular waste basket and convenience packaging of rainware fittings are on-stream for introduction in early 1975.



The Building Products Division

During 1974, there was a marked increase in customer demand for the line of products manufactured by the Building Products Division.

In order to cope with the heavy influx of new orders during 1974, we implemented a new order entry system, which, coupled with improved production scheduling, provided critical delivery information to our customers in the construction industry. The Division now has national coverage, and with the development and appointment of new outlets, we have excellent representation and at least one stocking distributor in each province.

The volume of orders from the domestic market required more than our available manufacturing capacity, and because of this, we plan to enlarge our production and shipping facilities during 1975. We also intend to explore and develop export opportunities to supplement our growing share of the Canadian market, and thus ensure continuing expansion of sales and profitability in the Building Products Division.

The Industrial Division

The Industrial Division is located in Fergus and occupies one-third of the Hill Street facility. Its main activity is the manufacturing and marketing of wringer washing machines. It also provides a manufacturing service to other GSW divisions.

In 1974, responsibility for the marketing and distribution of wringer washers in Canada was transferred from the Appliance Division to the Industrial Division. This has resulted in a more effective and specialized distribution organization.

The export market for both machines and components continues to represent a considerable portion of our total business. Distribution is effected through our own agents and the multinational corporations. 1975 will see additional activity in this area.



Quality Program

We believe the quality of our products determines both the consumer satisfaction we deliver and our long term success. In order to ensure quality, GSW;

- (a) has rigorous inbound inspection of material and components from suppliers;
- (b) carefully inspects products;
- (c) carries out a detailed quality audit check daily on a significant sample of our inventory;
- (d) performs "life tests" continuously.

Our quality efforts are supported by the GSW Home Service Division. This effectively provides prompt, effective warranty and out-of-warranty service, and also feeds back operating information from consumers' homes directly to our engineers and factories.



Our people make it possible

Managers recognize their responsibility to ensure GSW is a "people-oriented" company. In addition to their operational responsibilities, all managers and supervisors must determine and consider the needs and requirements of employees at all levels.

The mutual interests of the Company and its employees are recognized and discussed on an individual and a group basis at regularly scheduled meetings. Common interests are the functions of Labour/Management Committees, Safety Committees and Periodic Employee Communications meetings. Company-wide communications are aided by a regularly published newspaper, "The GSW Review". The Review is published in English and French and its contents are contributed by employees at all levels throughout the Company.

GSW is especially proud of its high percentage of long service employees. Their skills and accumulated knowledge assure the continuing production of high quality products. Quarter Century Clubs have been formed, with over 750 members, to give due recognition to these highly valued present and pensioned employees.

Supply Developments:

1974 proved to be a very difficult year in Supply: all Divisions of GSW were affected.

In the Appliance Group, production of refrigerators and freezers was affected by the shortage of compressors. Plastics, steel, electrical wiring and packaging were all in short supply, making production scheduling difficult.

In the General Products Group, the scarcity of grey iron castings created major problems in the Pump, Farm Equipment and Industrial Divisions. Steel, electric motors, packaging, and many other components were in very tight supply.

The Housewares Division experienced similar problems to the other Divisions with aluminum supply being the critical area.

Price increases to GSW from suppliers also reached an unprecedented high. In spite of this difficulty our suppliers endeavoured to keep production rolling in all plants during a very difficult and trying year.

By the close of 1974, the Supply shortage situation changed dramatically with the sudden downturn in the economy. As a result, no material or component availability problems are anticipated in 1975.



Our future

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The Research Centre

For GSW to maintain long term competitiveness as an independent Canadian company, it needs to invest heavily in Research and Development activities in each major product area. In recognition of this need, the Company in 1972 established a technical centre within the Sheridan Park Research Community in Mississauga, Ontario.



Purpose

Functionally, the Research centre has a three-fold purpose:

First, to monitor world wide technological developments through organization of technical information, evaluation of new products, materials, processes and patents.

Second, to act as a corporate technical consultant group to operating Divisions in the solution of their specific technical problems, and to disseminate and interchange technological developments between Divisions.

And Third, to co-ordinate government financial support of eligible technical activities.

Rather than attempting itself to develop and maintain in-depth R & D expertise relative to each of the Company's diverse products or businesses, the Centre surveys on a world wide basis, technical developments most likely to affect the various GSW businesses.

People

The Research Centre staff comprises twenty personnel organized into flexible project teams composed of both professional and technical individuals, and supported by a small administrative group. New projects (almost exclusively initiated by Divisional requests) are assigned to project teams according to priority and the technical discipline and expertise of the team's participants. Project execution is directed in accordance with Divisional needs.



Acquisitions

The GSW position in the Canadian Pump market was further strengthened in 1974 by two significant acquisitions:

- 1 In January, the Barnes company of Canada was purchased from the parent company, Peabody Barnes Inc. of Mansfield, Ohio. A long-term technical agreement was also negotiated to guarantee the ongoing benefits of Peabody Barnes' technology and their strong position in the North American market for sewage and engine-driven pumps.
- 2 In May, the EPM company, in Winnipeg, was acquired and with it a range of sewage effluent handling systems, engine-driven pumps and general purpose centrifugal pumps. In addition, EPM has designed and produced solid state control devices for use with farm feeding systems and pumping installations.



Both acquisitions will provide opportunities for expanded sales of pumps and allied products into the Industrial and Commercial segments of the market. In addition, EPM provides GSW a manufacturing base in Western Canada.

3 In August, GSW acquired Commando Chrome Plating Co. Ltd., of London, Ontario. Commando Chrome Plating specializes in nickel chrome plating and zinc plating. The manufacturing plant is modern, well-equipped, and efficient. The nickel chrome production line is semi-automatic and produces competitive plated parts for a variety of commercial interests, such as the appliance, building, and automobile industries. The zinc production line has fully-automatic equipment and is capable of producing small and large parts for the plumbing, building and foundry industries. Before the acquisition, GSW was a major customer of Commando Chrome Plating for chrome plated refrigerator and range racks.



Report of the Board of Directors

To the Shareholders:

Sales in 1974 increased by 2% to \$122,339,000 from \$119,948,000 in 1973. Appliance Division sales volume declined in 1974, with the planned phase-out of some purchased products, and the sharp decline in fourth quarter demand from the 1973 level. Water Heater sales declined in 1974 as a result of production constraints associated with the start-up of new facilities; however output reached planned levels in the fourth quarter. All other divisions showed sales increases in 1974.

Net income for the year was \$3,119,000 or 74c per share compared to \$502,000 or 9c per share in 1973. Appliance Division profits showed significant improvement from 1973, when profits were depressed by large start-up costs, and inability to offset cost increases with price increases. The divisions' ability in 1974 to offset the rapid escalation in material, labour and interest costs, became increasingly difficult by year-end. The Water Heater Division was the only part of our operation which did not record improved earnings, and this was due to establishing a major new manufacturing facility in Fergus, Ontario early in 1974.

A major capital investment in automated Water Heater facilities was completed in 1974 and has added important production capacity while enabling the company to achieve improved costs. Facility improvements were also made to the Freezer Division's Fergus plant and to the Pump Division's galvanizing facilities.

Accounts receivable levels throughout the year reflected careful control. Inventory levels remained in good control during the first six months but subsequently showed a rapid increase due to:

1. extra materials carried to avoid shortages,
2. excess materials resulting from production interruptions due to shortages,
3. excess finished goods, especially in the appliance area, resulting from a sharp drop in demand in the fourth quarter.

This, combined with inflation, resulted in an increase in inventories at December 31, 1974 of \$14,063,000 from the prior year. However inventories were carefully valued at the lower of cost and market, and fixed overhead beyond normal levels was not included in the inventory valuation. Accordingly, bank indebtedness increased by \$7,794,000 during the year, but will decline in 1975 as the inventories are systematically reduced.

Organization and Personnel: In February of 1975, after 14 years of valued contribution to the Board, Miss M. P. Hyndman indicated that she would not stand for re-election to the Board. In recognition and appreciation of her help and assistance, Miss Hyndman has been appointed Director Emeritus.

G. S. MacDonell resigned as Vice-Chairman of the Board and a Director. He has been appointed Vice-President — Appliance Sales and Distribution.

In March of 1974, Norman H. Smith was appointed Group Vice-President, General Products. Mr. Smith has been associated with the company since 1963 when he joined the company as Manager, McDougall Division, Beatty Bros., Fergus. He has successively held the positions of Sales Manager, Beatty & McDougall Pump Companies; General Manager, Pump Division; and Group General Manager, General Products.

F. O. Price, formerly Vice-President, Manufacturing Services, was appointed Vice-President of our Research and Development Centre at Sheridan Park, Ontario.

During the first half of 1974, the Appliance Division was restructured into a sales and distribution division and individual product divisions. General Managers have been appointed to each new division. We believe this organization will improve our effectiveness in achieving future goals.

Acquisitions: During 1974, GSW acquired three subsidiaries which are being integrated into the operations of the company. These purchases were made in accordance with our policy of seeking only those acquisitions which will assist us in strengthening our marketing and manufacturing capabilities, and are within the well defined product areas which GSW has chosen.

Early in 1974, Peabody Barnes (Canada) Limited of Bramalea, Ontario, was purchased and is now operated as Barnes Pump Company Limited. Its products provide access to a new segment of the Canadian pump market. Ongoing access to design technology has also been established through a licensing agreement with Peabody Barnes Inc. of Mansfield, Ohio.

The purchase of EPM Manufacturing Company Limited in Winnipeg, Manitoba, has further advanced GSW into new pump markets, and has established our first manufacturing base in Western Canada.

In mid-1974, your company purchased Commando Chrome Plating Company Limited of London, Ontario. This company provides a major portion of GSW's chrome plating requirements and provides the same service to other companies.

On the preceding pages, details of each of our 16 divisions' operations have been provided. We hope this will assist you in understanding the scope of your company's operations.

Outlook: The greatly reduced demand for major consumer durables such as appliances, is expected to continue throughout 1975. Your company will make a strong effort to offset this condition through greater efficiency and productivity. We view the prospects for 1975 as uncertain.

Despite the current economic outlook, we continue to believe that long-term demand for our products will be strong.

The Board wishes to express sincere appreciation to all employees of GSW for their combined and individual contributions to the Company's progress in 1974.

On behalf of the Board:



R. A. Stevens,
President

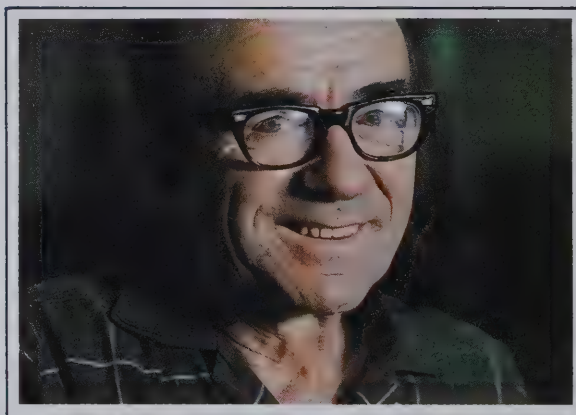
R. M. Barford,
Chairman

The past year

3



Summary



GSW LIMITED – GSW LIMITÉE

1974

1973

	(\$000's except per share data)	
Sales.....	\$122,339	\$119,948
Net Income.....	3,119	502
Earnings Per Common Share.....	.74	.09
Current Ratio.....	1.4 to 1	1.5 to 1
Working Capital.....	16,023	13,711
Shareholders' Equity.....	\$ 19,858	\$ 16,995

Consolidated Statement of Income (\$000's)



GSW LIMITED – GSW LIMITÉE YEAR ENDED DECEMBER 31

	1974	1973
Net sales.....	\$122,339	\$119,948
Income before undernoted items.....	\$ 8,681	\$ 3,053
Interest on long-term debt.....	173	195
Interest on other loans.....	1,701	1,106
Depreciation.....	1,078	840
	<u>2,952</u>	<u>2,141</u>
Income before income taxes.....	5,729	912
Income taxes.....	2,610	410
Net income for the year.....	\$ 3,119	\$ 502
Earnings per common share.....	\$ 0.74	\$ 0.09

(See accompanying notes)

Consolidated Balance Sheet (\$000's)

December 31, 1974

(with comparative figures for 1973)



GSW LIMITED – GSW LIMITÉE

(Incorporated under the laws of Canada)

ASSETS

	1974	1973
Current assets:		
Cash	\$ 344	\$ 159
Accounts receivable	15,762	17,283
Inventories – finished goods	19,118	10,854
– raw materials and work in process	16,672	10,873
Income taxes recoverable		535
Prepaid expenses	622	544
Total current assets	<u>52,518</u>	<u>40,248</u>
Fixed assets:		
Land, buildings and equipment	22,259	20,353
Less accumulated depreciation	<u>14,647</u>	<u>13,723</u>
Total fixed assets	<u>7,612</u>	<u>6,630</u>
Other assets:		
Prepaid income taxes	<u>206</u>	<u>502</u>
On behalf of the Board:		
R. A. Stevens, Director		
R. M. Barford, Director		
Total assets	<u>\$60,336</u>	<u>\$47,380</u>

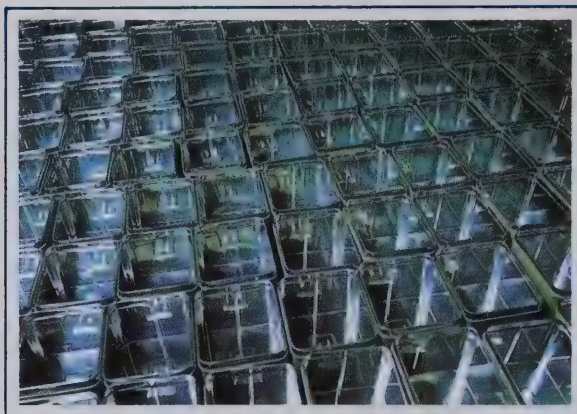


LIABILITIES AND SHAREHOLDERS' EQUITY

	1974	1973
Current liabilities:		
Bank indebtedness (note 2)	\$19,137	\$11,158
Accounts payable and accrued charges	14,452	13,446
Income and other taxes payable	2,710	1,735
Dividends payable	26	28
Long-term debt due within one year	170	170
Total current liabilities	36,495	26,537
Provision for warranties – non-current portion	1,433	1,128
Long-term debt (note 3)	2,550	2,720
Total liabilities	40,478	30,385
Shareholders' equity:		
Share capital (notes 4 and 5) –		
5% cumulative preferred shares of \$100 each redeemable at \$105		
Authorized, less redeemed: 20,728 shares		
Outstanding:		
20,728 shares (1,745 shares were purchased for cancellation in 1974)	2,073	2,247
Common shares without par value –		
Authorized		
Issued		
Class A	1,361,326	1,316,678
Class B	20,000,000	2,755,378
	21,361,326	4,072,056
Contributed surplus	362	339
Retained earnings	15,012	11,998
Total shareholders' equity	19,858	16,995
Total liabilities and shareholders' equity	\$60,336	\$47,380

(See accompanying notes)

Consolidated Statements of Retained Earnings and Contributed Surplus (\$000's)



GSW LIMITED – GSW LIMITÉE YEAR ENDED DECEMBER 31

	1974	1973
RETAINED EARNINGS		
Balance, beginning of year.....	\$11,998	\$11,616
Add net income for the year.....	3,119	502
	<u>15,117</u>	<u>12,118</u>
Deduct dividends on preferred shares	105	120
Balance, end of year.....	<u>\$15,012</u>	<u>\$11,998</u>
CONTRIBUTED SURPLUS		
Balance, beginning of year.....	\$ 339	\$ 308
Add profit on purchase of preferred shares	23	31
Balance, end of year.....	<u>\$ 362</u>	<u>\$ 339</u>

(See accompanying notes)

Consolidated Statement of Source and Application of Funds (\$000's)



GSW LIMITED – GSW LIMITÉE YEAR ENDED DECEMBER 31

1974

1973

Funds were derived from:

Operations –

Net income for the year	\$ 3,119	\$ 502
Less dividends on preferred shares.....	105	120
Income retained	3,014	382
Depreciation	1,078	840
Reduction (increase) in prepaid income taxes.....	296	(29)
Provision for warranties – non-current.....	305	98
Funds from operations.....	4,693	1,291
Issue of common shares.....		23
Increase in bank indebtedness (net of cash)	7,794	1,281
	<u>\$12,487</u>	<u>\$2,595</u>

Funds were applied to:

Purchase of fixed assets (net) including \$510 in 1974 on purchase of subsidiary companies	\$ 2,060	\$1,022
Increase non-cash net current assets	10,106	1,235
Reduce long-term debt.....	170	170
Redeem preferred shares	151	168
	<u>\$12,487</u>	<u>\$2,595</u>

(See accompanying notes)

Notes to Consolidated Financial Statements



GSW LIMITED – GSW LIMITÉE
DECEMBER 31, 1974

1. Summary of significant accounting policies

The following is a summary of certain significant accounting policies followed in the preparation of the consolidated financial statements:

(a) Basis of consolidation –

The consolidated financial statements reflect a consolidation of GSW Limited-GSW Limitée, GSW Appliances Limited, McDonald Appliance Service Limited, The Easy Washing Machine Company Limited, Duro Aluminium Limited, Sta-Rite Industries of Canada Limited, Barnes Pump Company Limited, EPM Manufacturing Company Limited, and Commando Chrome Plating Company Limited.

(b) Inventory valuation –

Inventories are valued at the lower of cost and market. Cost is determined principally on a first-in, first-out basis. Cost includes material, labour and variable and fixed manufacturing overhead costs. No fixed manufacturing overhead costs are included in inventory valuation on quantities judged to be in excess of normal minimum inventory levels. Market value is net realizable value for finished goods and work in process and replacement cost for raw materials.

(c) Fixed assets and depreciation –

Fixed assets are stated at acquisition cost, including transportation and installation charges. Generally, depreciation is determined using the declining balance method. This results in accumulated depreciation of approximately two thirds of the cost of an asset during the first half of its estimated useful life.

(d) Goodwill –

The cost of goodwill arising on acquisitions of subsidiaries will be amortized by charges to income on a

straight-line basis over the estimated useful life of such goodwill.

In prior years the company has followed the practice of writing off the amounts paid for goodwill on the acquisition of subsidiary companies by a direct charge to retained earnings at the date of acquisition.

(e) Product warranty costs –

Anticipated costs related to product warranty are recorded in the year in which the product is sold.

(f) Pension plan costs (see also note 7) –

Costs relating to improvements in pension benefits granted by the company for employment in prior periods are amortized over fifteen years from the date such costs are established, or to December 31, 1989, whichever comes later.

(g) Income taxes –

Taxable income differs from income reported in these financial statements principally because warranty costs become tax deductions when paid rather than when provided for in the accounts and because there are differences between depreciation claimed as tax deductions and that recorded. Appropriate provision is made for the prepaid or deferred income tax effect of these differences.

(h) Other significant policies –

Continuing research and development costs are recognized as expenses when incurred. Engineering, tooling and patent costs are treated in the same manner.

2. Bank indebtedness

The bank borrowings are secured by a simple debenture containing a fixed charge on fixed assets and a floating charge on other assets.



3. Long-term debt

The long-term debt consists of:

	1974	1973
	(\$000's)	
6% mortgages payable, due December 31, 1981	\$2,720	\$2,890
Less amounts due within one year	170	170
	<u>\$2,550</u>	<u>\$2,720</u>

Annual principal repayments amount to \$170,000 to 1980, with a final payment of \$1,700,000 on December 31, 1981.

4. Share capital

The Class "A" and Class "B" common shares are equal in all respects except that the Class "A" common shares have 100 votes per share and the Class "B" common shares have one vote per share. A holder of Class "A" common shares, at any time may convert them into an equal number of Class "B" common shares. During the year 164 Class "A" shares were converted into Class "B" shares. Under the terms and conditions relating to the 5% cumulative preferred shares, a sinking fund is to be set aside by July 1st each year for the purchase or redemption of these shares, the amount being determined in accordance with a formula based on the consolidated net income for the previous year. As a result of preferred share purchases made during 1974 and early in 1975, no preferred shares need be called for redemption during 1975.

5. Share options

At December 31, 1974 options on 30,000 Class "B" shares are outstanding.

Option prices on these shares are as follows:

15,000 Class "B" shares at \$4.00 per share

15,000 Class "B" shares at \$4.38 per share

The exercise of these options would not materially dilute

earnings per share.

There were no options granted or exercised during 1974.

6. Acquisitions of subsidiary companies

During the year the company acquired all of the outstanding shares of Barnes Pump Company Limited, EPM Manufacturing Company Limited and Commando Chrome Plating Company Limited, for cash consideration of \$572,000 representing \$510,000 for fixed assets at fair value, and \$62,000 for working capital.

7. Pension plans (See also note 1.(f))

There are a number of pension plans for present and retired employees of the company and its subsidiaries. Based upon the most recent actuarial valuations the total estimated unfunded liabilities as at December 31, 1974 amount to approximately \$3,500,000, of which \$1,400,000 relates to additional benefits granted during the year for employment in prior periods.

8. Remuneration of directors and officers

The company has eleven directors. The aggregate remuneration of directors as directors was \$30,000 in 1974 and \$32,000 in 1973. The company has eleven officers of whom four are also directors. The aggregate remuneration of officers as officers was \$629,000 in 1974 and \$432,000 in 1973.

9. Lease agreements

Under the terms of various lease agreements the company is obligated to an average annual commitment for the next five years of \$423,000.

10. Fixed asset commitments

At December 31, 1974 the company was committed to approved programs which on completion will result in additions to fixed assets of approximately \$870,000.

Auditors' Report

To the Shareholders of GSW Limited – GSW LIMITÉE

We have examined the consolidated balance sheet of GSW Limited - GSW Limitée and its subsidiary companies as at December 31, 1974 and the consolidated statements of income, retained earnings, contributed surplus and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1974 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Clarkson, Gordon & Co.

Toronto, Canada
February 26, 1975

Chartered Accountants

Five-Year Review

(in thousands except per share data)

GSW LIMITED – GSW LIMITÉE YEAR ENDED DECEMBER 31

	1974	1973	1972	1971	1970
GWS RESULTS FOR THE YEAR					
Net Sales.....	\$122,339	\$119,948	\$112,084	\$99,091	\$64,675
Net Income before extraordinary items	3,119	502	2,686	1,536	655
Net Income after extraordinary items.....	3,119	502	3,544	2,708	763
Earnings per common share (see note)					
Before extraordinary items .....	.74	.09	.63	.35	.13
After extraordinary items .....	.74	.09	.84	.65	.16
Depreciation.....	1,078	840	843	765	469
Additions to fixed assets	2,060	1,022	583	4,577	1,169

GWS FINANCIAL HIGHLIGHTS AT YEAR-END

Working capital	\$ 16,023	\$ 13,711	\$ 13,757	\$10,657	\$ 8,618
Current ratio.....	1.4 to 1	1.5 to 1	1.5 to 1	1.4 to 1	1.6 to 1
Fixed assets at net book value	7,612	6,630	6,448	6,707	2,895
Total assets	60,336	47,380	48,839	43,003	27,123
Long-term debt.....	2,550	2,720	2,890	3,810	912
Shareholders' equity	19,858	16,995	16,758	12,974	10,619
Common shares outstanding (see note).....	4,072	4,072	4,063	3,982	3,952
Preferred shares outstanding.....	21	22	24	25	26

Note: Common share data for 1972 and prior years has been adjusted to give effect to a 2 for 1 stock split in 1973.

127 Years Ago

In the Days before Canada became a nation, a young man named John McClary walked the streets of London, Ontario (then a settlement of about 4,000 people) in search of a humble dream — vacant shop premises. A 22-year old farm boy with a natural bent for things mechanical, an infinite capacity for work and a great deal of imagination, John soon found and rented a shop. Armed with a few sheets of metal, hammers and shears, John and his brother Oliver began shaping and pounding their first pots and pans. At day's end, the McClary's peddled their wares from door to door.

The business thrived, and, two years later, John McClary purchased a small foundry on York Street. Cookware was still the prime product, but the addition of the foundry enabled him to forge ploughs and stoves, and later, furnaces, ice boxes and a myriad of other products.

Eleven years after John McClary opened his tinshop, the second thread was introduced to the intricate weave of the GSW corporate pattern. In Montreal, a bearded Scot named Thomas Davidson was gleaning all the knowledge he could about a new German process for bonding glass to metal: in 1858, he established Canada's first enamelling plant on Notre Dame Street. Some twenty years later, the burgeoning company re-located on Delisle Street — the root of GSW Montreal Housewares manufacturing complex.

In Toronto, in the year of Confederation, the Dominion Tin and Stamping Works hung out its shingle at Queen and Sherbourne Streets. Eighteen years later, the company was purchased by two young men from Quebec's Eastern Townships, Sir Edward and William Kemp. The corporate name was changed to Sheet Metal Products.

Before 1919, American-made Easy washing machines were sold in Canada. However, in that year, the Syracuse Washing Machine Company opened an assembly shop on Toronto's Clinton Street in a move to circumvent high import duties. Nine years later, the U.S. interests were purchased by two Toronto industrialists: C. H. Carlyle and A. Ross. Under new management, the company successfully tooled up and produced the first enamel tub washers.

In 1927, six of Canada's leading manufacturers had joined forces to form General Steel Wares. Partners in this industrial marriage were the McClary Manufacturing Co.; Sheet Metal Products; The Thomas Davidson Co.; E. T. Wright and Sons; Aubrey et Fils and The Happy Thought Foundry, of Brantford.

Developments followed slowly but steadily: for the next 31 years, General Steel Wares integrated its forces and consolidated its market position. In the fall of 1958, the Easy Washing Machine Company was acquired by General Steel Wares. In 1962, General Steel Wares was acquired by Beatty Bros, and the latter's operations became the Beatty Division. In 1967, Duro Aluminum Ltd. of Hamilton was acquired, and, more recently, Knight Industries of Dundas, Ontario.

Later acquisitions included (in 1970) Sta-Rite Industries of Canada Limited (water pumps and fluid-handling systems), and, in 1971, the household appliance manufacturing concern of Moffats Limited of Weston, Ontario.

In 1970, the company name was changed to GSW Limited/Limitée.



Beatty celebrates 100 years!

The origins of the various companies which comprise GSW are diverse: some reach back into Canada's Pre-Confederation history.

In Fergus, Ontario, the former Beatty Bros. Limited (now the main operation of GSW General Products Group) celebrated its 100th year of activity in 1974.

The founders, George and Matthew Beatty decided in 1874 to combine their formidable talents. They rented a vacant 6,000 square foot building, which had originally been the old Fergus Temperance Hall, and, with six employees, embarked on the production of farm equipment which would one day link the name Beatty indelibly with Canadian agriculture.

In 1879, a factory on the site now occupied by the GSW Freezer Division, was purchased. (It had previously been the Grindley Farm Implement Factory). The following year, Fergus was linked with Toronto by the completion of the Credit Valley Railway line and a mini economic boom took place in the town — particularly with the thriving Beatty concern. The foundations of the present Hill Street factory and office were laid in 1911; in 1912, the Beatty's made their first move into laundry products by acquiring Wortman & Ward, of London, Ontario. By 1929, the Beatty venture was established as the largest manufacturer of washing machines and ironers in Canada, with an output greater than all other Canadian producers combined.

From the early 1900's to the 1950's, acquisitions continued steadily, broadening the Beatty product range and markets. Annual sales of under \$50,000 at the turn of the century exceeded \$10,000,000 in 1961, when control of the organization passed out of the hands of the Beatty family.

The century of Beatty has seen practically every social and economic change which has made Canada the country it is today.

For the town of Fergus, the close relationship with Beatty and now with GSW continues and, as the largest employer, GSW contributes significantly to the community and its people. The Fergus water tower is now painted blue instead of green, and the name GSW has replaced Beatty, but the tradition of stability and togetherness that was begun 100 summers ago still remains.

